

SENATE BILL REPORT

ESHB 2304

As of Second Reading

Title: An act relating to marijuana processing and retail licenses.

Brief Description: Concerning marijuana processing and retail licenses.

Sponsors: House Committee on Government Accountability & Oversight (originally sponsored by Representative Moscoso; by request of Liquor Control Board).

Brief History: Passed House: 3/13/14, 91-7.

Committee Activity:

Staff: Edith Rice (786-7444)

Background: Introduction to Initiative Measure No. 502. Initiative Measure No. 502 (I-502 or initiative) was a ballot measure approved by Washington voters in November 2012 that legalizes the production, processing, possession, and personal use of marijuana on a limited scale; creates a framework for a regulatory scheme to be further developed by the Liquor Control Board (LCB) through its rulemaking authority; and revises provisions in criminal statute to accommodate such legalization in accordance with the requirements of the initiative.

Licensing of Marijuana Producers, Processors, and Retailers. The initiative creates three categories of marijuana marketing licenses to be issued by LCB in implementing the statutory scheme outlined in the initiative: (1) the marijuana producer's license entitles the holder to produce marijuana for sale at wholesale to licensed marijuana processors or other producers; (2) the marijuana processor's license entitles the holder to process, package, and label marijuana for sale at wholesale to marijuana retailers; and (3) the marijuana retailer's license entitles the holder to sell marijuana products at retail prices in retail outlets. The initiative also created a tax framework, wherein sales from marijuana producers to processors, from processors to retailers, and retailers to consumers, are each subject to an excise tax of 25 percent.

Restrictions on Licensed Marijuana Retailers. Under I-502, licensed marijuana retailers are subject to specified restrictions. Among those restrictions are prohibitions on the following:

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- the sale of products or services other than marijuana products or related paraphernalia;
- employment of persons under 21 years of age;
- allowing persons under 21 years of age to enter or remain on the premises; and
- allowing the opening or consumption of marijuana products on the premises.

A retail licensee who violates any of these advertising prohibitions is subject to a \$1,000 fine for each violation.

Varieties of Marijuana Products. The initiative spelled out two different kinds of marijuana products: (1) useable marijuana, defined as dried marijuana flowers; and (2) marijuana-infused products, defined as products containing marijuana or marijuana extracts intended for human use. The two definitions are mutually exclusive.

The statutory definition of marijuana includes all parts of the cannabis plant and the resin extracted from any part of it.

Restrictions on Sale. Processors are permitted to sell useable marijuana and marijuana-infused products to retailers, and retailers are permitted to sell those items to consumers. However, processors and retailers are not currently permitted to sell marijuana extracts. Neither are processors permitted to sell marijuana in any form to other processors.

Allowable Quantities of Marijuana. Under I-502, persons 21 years of age or older are permitted to possess the following:

- 1 ounce of useable marijuana;
- 16 ounces of marijuana-infused product in solid form; or
- 72 ounces of marijuana-infused product in liquid form.

Retailers are permitted to sell useable marijuana and marijuana-infused products in the same quantities and in any combination from the premises of a marijuana retail outlet.

Summary of Bill: Licensed marijuana processors are permitted to sell marijuana, including marijuana concentrates, marijuana extracts, useable marijuana, and marijuana-infused products to other processors and to retailers. Similarly, licensed retailers are permitted to sell marijuana concentrates to the same consumers who are currently permitted to purchase useable marijuana and marijuana-infused products and are subject to the same restrictions. Sales of marijuana between producers and processors and between retailers and consumers are included in the I-502 excise tax framework.

Account numbers and values provided to LCB in connection with an application for a marijuana producer, processor, or retailer license is exempt from Public Records Act (PRA) disclosure.

Marijuana concentrates are defined as resin extracted from a cannabis plant with a high THC concentration, in contrast to marijuana which is defined to include the entire cannabis plant and components thereof. Marijuana processor and retailer licensees are authorized to possess, process, and sell marijuana concentrates, and sales of marijuana concentrates are incorporated into the existing excise tax framework. The maximum quantity of marijuana

concentrates a retailer may sell, and a person over 21 years old may possess, is set at 7 grams.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.